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IN THE

Supreme Court of the United States

OCTOBER TERM, 1981

COLUMBIA BROADCASTING SYSTEM, INC.,

Petitioner,

v.

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V. and RBC FILMS,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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Questions Presented for Review

1) Whether under the Supremacy Clause and the Copyright Act a state law unfair competition claim is preempted where a federal copyright infringement claim and the state claim each arise from a single CBS broadcast of federally copyrighted film clips?

2) Whether preemption precludes separate federal and state claims which permit separate jury compensatory awards for harm redressable under the Copyright Act?

3) Whether preemption precludes an award of punitive damages under the state claim?

Declaration Pursuant to Rule 28.1

The Court is hereby advised that the non-wholly owned subsidiaries and/or affiliates of CBS Inc. are:

Hall House, Inc.; Music Publishing Co. of Australia Pty. Ltd.; Phonographic Performance Co. of Australia Limited; Music Service Center Gesellschaft m.b.H.; Cogedep S.A./N.V.; Discofita Distribuidora Ltda.; Editora Melograf Ltda.; PANDISC—Parada Nacional do Disco Ltda.; Shorewood Packaging Corp. of Canada Limited; CBS Records Chile Ltd.; Grammofonselskabs Distributions Centralen A/S; Shorewood Packaging Company Limited; PEC Musiikkitukku OY; CBS Disques S.A.; Societe Freycinet-Wilson S.A.; Les Editions April Music S.A.R.L.; B.V. Grammoservice, Distributiemaatschappij voor Grammofoonplaten; Igaku-Shoin/Saunders Ltd.; Plate-Sentralen A/S; Grammo Rack Service A.B.; Paul Mulvihill Ltd.; Hodder Fawcett Limited; Collections House International S.A.R.L.; CBS/SONY Inc.; CBS/SONY Hong Kong Limited; CBS Gramophone Records and Tapes (India) Limited; CBS Records (Kenya) Limited; CBS/SONY Family Club, Inc.; CBS/SONY Records Inc.; April Music Inc.; EPIC/SONY Inc.; Music Plaza Inc.; Japan Record Distribution System Inc.; CBS/SONY Publishing Inc.; Kawaii Musical Instrument Mfg. Co. Ltd.; April Music Publishing Company (Proprietary) Limited; Gramophone Record Company (Proprietary) Limited.

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IN THE

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October Term, 1981

No.

COLUMBIA BROADCASTING SYSTEM, INC.,

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v.

ROY EXPORT COMPANY ESTABLISHMENT OF VADUZ, LIECHTENSTEIN, BLACK INC. A.G., FILMVERHUURKANTOOR DE DAM B.V. and RBC FILMS,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner, CBS Inc. ("CBS"),[1] respectfully prays that a Writ of Certiorari issue to review a judgment of the United States Court of Appeals for the Second Circuit which upheld awards of (a) compensatory damages for statutory copyright infringement and (b) compensatory and punitive damages for unfair competition under state common law—both awards predicated upon a single infringing CBS News broadcast.

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[1] Incorrectly sued under its former name, Columbia Broadcasting System, Inc.

Opinions Below

The opinion of the Court of Appeals for the Second Circuit is not yet officially reported and is reproduced in Appendix A ("App. A"-1) of this Petition. The opinion and order of the District Court denying CBS' motion for a judgment notwithstanding the verdict is reported at 503 F.Supp. 1137 (S.D.N.Y. 1980) and is reproduced in Appendix B ("App. B"-24).

Jurisdiction

The judgment of the Court of Appeals for the Second Circuit was entered on March 4, 1982. On April 14, 1982, the Court of Appeals granted CBS' Motion for Stay of the Mandate. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Constitutional and Statutory Provisions Involved

Relevant portions of the following constitutional and statutory provisions appear in Appendix D ("App. D"-65):

CONSTITUTION:

Article 1, Section 8, Clause 8 (Copyright Clause)

Article 6, Clause 2 (Supremacy Clause)

STATUTES:

1909 Copyright Law, 17 U.S.C. § 1 *et. seq.*

1976 Copyright Law, 17 U.S.C. § 101 *et. seq.*

Statement of the Case

Preliminary Statement

On December 26, 1977, the night after Charles Chaplin died, the CBS News Division ("CBS News") broadcast a half-hour obituary tribute to Chaplin—one of the greatest 20th century filmmakers. "Although he died yesterday," the moderator announced, "he is survived by the legacy of his pictures." Excerpts from federally copyrighted Chaplin films, owned by plaintiffs, were included in the broadcast. Plaintiffs brought suit under the Copyright Act [2] and also alleged unfair competition and common law copyright infringement. On the first day of trial, counsel for plaintiffs began "Now you heard his Honor say that this was a copyright case, and indeed it is. . . ."

Plaintiffs claimed that the broadcast by CBS News diminished the value of six Chaplin films and two works derivative of the Chaplin films, all of which were protected under the Copyright Act. These two derivative film works were the "Compilation," a thirteen minute montage composed entirely of copyrighted Chaplin film excerpts, and "The Gentleman Tramp," a ninety minute biography tracing Chaplin's life through the use of copyrighted Chaplin film excerpts. In addition to proceeding under federal law, plaintiffs fashioned two separate state law causes of action in an attempt to magnify the damages from the CBS News broadcast. The cause of action for unfair competition purports to

[2] Plaintiffs alleged that the action arose under the Copyright Act of 1909, 17 U.S.C. § 1 *et seq.*, and that the district court's jurisdiction was based upon 28 U.S.C. § 1332 and 28 U.S.C. § 1338(a) and (b) and principles of pendent jurisdiction.

be based upon the *manner* in which CBS acquired and copied the Chaplin film excerpts.[3]

Statement of Facts

Sir Charles Chaplin, an English citizen, lived in the United States for the greater part of his life and produced domestically the Chaplin films which form the subject of this suit. After a visit to Europe during the height of McCarthyism, he was denied reentry to the United States on allegations that he harbored leftist sympathies. Chaplin remained in Europe until his death in 1977, with the exception of one visit in 1972 to receive a special Academy Award from the Academy of Motion Picture Arts and Sciences (AMPAS). At that AMPAS presentation, nationally broadcast by NBC, the television audience was shown a thirteen minute montage of Chaplin film excerpts, which for the purposes of this litigation became known as the Compilation.

By the middle 1970's CBS News had begun to collect materials on Chaplin's life and film excerpts from the few Chaplin films in the public domain, intending to produce an obituary tribute upon Chaplin's death.[4] CBS News personnel requested a license for use of short excerpts from several Chaplin films for which plaintiffs held the copyrights, but plaintiffs refused to license the films. CBS News also requested that AMPAS grant access to the Compilation, but AMPAS was unable to release the films because of union regulations.

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[3] This petition does not seek to disturb the judgment awarding damages for federal and common law copyright infringement. It solely seeks review of the judgment entered on the state law unfair competition claims which should have been preempted.

[4] This task was performed by the Special Events Unit at CBS News, which collects such materials on world figures so that if they should die, an obituary program can be prepared on short notice.

By 1975 plaintiffs had completed a ninety minute Chaplin biography—The Gentleman Tramp—which they then attempted to sell to ABC, Home Box Office ("HBO") and the CBS Entertainment Division [5] for broadcast as a television special. The biography was rejected by each network in turn and by HBO because it was too long, lugubriously paced and not the kind of picture that would succeed on network television.

On December 25, 1977 Chaplin died and CBS News began assembling its obituary tribute for broadcast the following evening at 11:30 p.m. Realizing again the need to exhibit to the public the representative best of Chaplin's work on the occasion of his death, CBS News once more attempted to secure permission from plaintiffs to use excerpts from the Chaplin copyrighted films. They were unable to reach plaintiffs. CBS News thereafter received from NBC a videotape cassette of the 1972 Academy Awards broadcast. During its one half-hour obituary tribute CBS broadcast 9¾ minutes of Chaplin film excerpts, changing the order of some of the excerpts from the manner in which they were presented in the thirteen minute montage known as the Compilation.

Plaintiffs instituted this action claiming that as a result of CBS' infringement of the federal copyrights in the Chaplin films, they had not only suffered lost profits from their exclusive right to exhibit the Chaplin films, but also suffered damages to their derivative works—the Compilation and The Gentleman Tramp. Plaintiffs also claimed that the copyright infringement was wilful, done with actual knowl-

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[5] CBS News was not approached by plaintiffs in this instance, as plaintiffs were attempting to sell The Gentleman Tramp as an entertainment special to the entertainment programming departments of CBS and the other networks. CBS News and CBS Entertainment are separate and distinct operating divisions.

edge of plaintiffs' rights in the Chaplin films and with knowledge that plaintiffs had refused to license the films.

Although plaintiffs' alleged harm could have found redress within the scope of federal copyright law, they proffered two state causes of action to seek additional compensatory and punitive damages. The common law copyright infringement claim is not the subject of CBS' petition to this Court.[6]

Plaintiffs also asserted a state cause of action for unfair competition—the subject of CBS' petition to this Court. Plaintiffs alleged that the CBS News broadcast of the federally copyrighted Chaplin film excerpts which were con-

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[6] Plaintiffs alleged that CBS not only damaged the value of the copyrighted Chaplin films from which the Compilation was made, but also alleged that a common law copyright in the Compilation was simultaneously infringed. This claim was submitted as a separate state common law cause of action for which plaintiffs sought and received compensatory and punitive damages.

Under the 1909 Copyright Act, a work that is "unpublished" normally does not gain copyright protection under federal law but is protected by state common law copyright. Plaintiffs argued that the selection and sequencing of Chaplin films in the Compilation is itself sufficiently artistic to be the subject of common law copyright and that the broadcast of the Compilation at the 1972 Academy Awards was not a publication. Thus, under this thesis, the Compilation has a dual status under federal and state laws: as a derivative work protected by the federal copyright in the Chaplin films the Compilation was protected by the federal copyright laws; as an original unpublished work the Compilation was protected by state common law copyright—but with regard to new matter only, *i.e.*, the "cutting and pasting" activity of plaintiffs.

Section 7 of the 1909 Act reads in pertinent part: "Compilations . . . shall be regarded as new works subject to copyright . . . but the publication of any such [compilation] shall not affect the force or validity of any subsisting copyright upon the matter employed . . . or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works." Common law copyright in a compilation does not protect the underlying work—*i.e.*, the federally copyrighted Chaplin films—utilized in the Compilation. 1 *Nimmer on Copyright* § 3.04.

tained in the Compilation injured the marketability of and unfairly competed with The Gentleman Tramp. CBS in its Answer and at trial urged that the state claim for unfair competition was preempted because plaintiffs sought compensation for alleged harm to a derivative work, an infringement claim compensable under federal copyright law.

To plaintiffs' claims that CBS' use infringed its copyrights, CBS responded that its use of only small excerpts from six Chaplin films was a "fair use" and protected by the First Amendment because of a legitimate public need for exposure to the principle reason for Chaplin's place in history—his films—on the evening after his death. At trial the district court instructed the jury to consider harm to the marketability of The Gentleman Tramp, which was federally protected as a derivative work, in determining whether CBS' use was a fair use.[7] The jury determined otherwise and found CBS had infringed the copyrights in the Chaplin films. The jury awarded $7,280 for the statutory infringement and plaintiffs were awarded an additional $5,000 as "in lieu" damages by the district court upon plaintiffs' post-trial application.

The jury found that plaintiffs were legal owners of a common law copyright in the Compilation and awarded only $1 in compensatory damages, as plaintiffs had admitted that the Compilation had no market value. The jury additionally assessed punitive damages of $300,000 against

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[7] In determining whether a defendant's use of copyrighted works without the permission of the owner is to be considered "fair" rather than an infringement, four factors are considered. Under the last and most important factor—the effect of the use upon the potential market for the copyrighted work—the jury in this case weighed harm to the Chaplin films and the derivative works, including The Gentleman Tramp, in considering whether CBS' use was fair. Thus, harm to The Gentleman Tramp was considered by the jury under both the federal count for copyright infringement *and* the state count for unfair competition.

CBS, apparently finding that CBS' manner of acquiring the Chaplin films in the Compilation from NBC was wrongful.

Before the trial judge and on its motion for judgment notwithstanding the verdict, CBS urged that plaintiffs should not be allowed to seek redress for alleged harm to the marketability of The Gentleman Tramp under both federal and state law. CBS pointed out that The Gentleman Tramp was protected by the federal copyright laws both as a derivative work and as an independent federally copyrighted work, that the basis for the state claim was that the Chaplin films were *copied*, and that any compensation granted under state law would exceed the limits of protection afforded by Congress in the Copyright Act. Nevertheless, the state unfair competition claim was submitted to the jury and resulted in a $300,000 compensatory award and an additional $110,000 punitive award.

The Decisions Below

The two courts below, while admitting that the clear indications of federal preemption troubled them, nevertheless managed to evade the preemption doctrine and preserve the jury awards. Both courts relied upon the bad faith manner in which CBS gained access to the federally copyrighted Chaplin films,[8] in essence authorizing a separate

[8] Plaintiffs complained loudly at trial that CBS "deceived" NBC into releasing the Chaplin films upon the representation that the films would be shown on the regular evening news program. Plaintiffs argued to the courts below that the manner in which CBS acquired the films constituted "commercial immorality," and that this distinguished the case from their copyright claim and thus avoided preemption. Infringement, however, includes the element of *access* to the copied work, whether in good faith or bad faith, and thus whether the copying was done "immorally" would make no difference in preemption analysis.

state claim to allow recovery for "wrongful taking of films amounting to commercial immorality," by finding that this defined a non-preempted "distinct offense." The courts below also placed undue emphasis upon the narrow state law protection of the Compilation to the exclusion of considering that the Compilation consisted entirely of federally protected films. The courts thus used the Compilation's state law protection to rule that CBS' unfair competition was based not upon its broadcast of the Chaplin *film clips*, as plaintiffs themselves had argued, but upon CBS' acquisition and broadcast of the *arrangement* of the film clips in the form of the Compilation. Thus did the courts duck the preemption issue.

In this petition CBS raises the serious question of federal preemption by the Copyright Act,[9] an area of law recently described as "in a state of disarray." *Orth-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979). It is urged that CBS' single act of copying federally copyrighted Chaplin films cannot also give rise to a state claim for redress of the same harm compensable under the Copyright Act. CBS believes that the Court of Appeals' decision portends grave consequences for federal copyright policy and urges this Court to grant certiorari.

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[9] The Copyright Act of 1976 became effective January 1, 1978, a few days after this case arose. Although this case is therefore governed by the Act of 1909, the only substantive difference between the 1909 and 1976 Acts relevant to this case is the abolition of common law copyright. With respect to the basis of CBS' petition—federal preemption—the law is for all intents and purposes unchanged, as this Court's preemption decisions applicable under the 1909 Act were codified in the 1976 Act. Other copyright principles pertinent to this case were also carried into the new Act. Thus the issue raised by the decision of the Court of Appeals will have lasting importance, and, we suggest, lasting deleterious effect upon federal policy.

Reasons for Granting the Writ

I.

Review should be granted because the Court of Appeals' decision conflicts with this Court's preemption decisions in *Sears, Compco* and *Goldstein*, and because the decision below offends the purposes of the Copyright Act in allowing recourse to state compensatory and punitive damages for harm redressable under the Copyright Act.

Within the last twenty years this Court has enunciated broad principles of federal preemption in the area of intellectual property. In these decisions the Court has examined whether federal statutes granting inventors and artists limited monopolies for use of their works preempt state laws which create rights for works that do not qualify for federal protection. This Court, however, has never addressed the question whether a copyright owner may sue under federal law for damages from the infringement of federally copyrighted materials and *additionally*, sue under state laws for the manner in which the infringement occurred.

Every indication from this Court's preemption decisions is that plaintiffs may not bring such duplicative causes of action. Every lower court which has faced the issue, other than the Court of Appeals and District Court here, has so held. Petitioner urges that plaintiffs should not be allowed to covet separate federal and state damage provisions for one act of copying. Petitioner also believes that the Court should determine once and for all that acts of copying protected by the federal laws cannot be parlayed into duplicative and conflicting state causes of action.

Under the Supremacy Clause of the Constitution a federal law preempts a state law when the state law "stands

as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress." *Hines* v. *Davidowitz*, 312 U.S. 52, 67 (1941); *Chicago & North Western Transportation Co.* v. *Kalo Brick & Tile Co.*, 450 U.S. 311, 317 (1981). Even in an area where Congress has not completely foreclosed state regulation, a state law "is void to the extent that it actually conflicts with a valid federal statute," looking to the effect, rather than the purpose of the state law. *Ray* v. *Atlantic Richfield Co.*, 435 U.S. 151, 158 (1978); *Jones* v. *Rath Packing Co.*, 430 U.S. 519, 525-26 (1977); *Perez* v. *Campbell*, 402 U.S. 637, 651-52 (1971). These standards are applied to preemption inquiries in the intellectual property area.

In *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964), this Court determined that state unfair competition law could not be used to redress the copying of an unpatentable lamp design and lighting fixture because to do so would exceed and thereby conflict with the limits of federal patent protection accorded by Congress. In *Goldstein* v. *California*, 412 U.S. 546 (1973), this Court again considered whether state law should be allowed to redress copying of an item not protected, but protectable, under Federal law. In *Goldstein*, the state sought to punish as "record piracy" plaintiff's copying and subsequent sale of phonorecords which were not then subject to copyright. The Court in *Goldstein* distinguished its holdings in *Sears* and *Compco* on the ground that Congress ha[d] "indicated neither that it wishes to protect, nor to free from protection, recordings of musical performances, fixed prior to February 15, 1972." 412 U.S. at 571. The state was thus free to legislate in the vacuum not then occupied by the federal scheme.

The facts of this case present a sharper focus on preemption because, unlike *Sears, Compco* or *Goldstein,* the films copied by CBS *are* protected by federal law. Plaintiffs alleged federal copyright infringement and sued to recover damages to the Chaplin films *and* to The Gentleman Tramp. As a derivative work containing the federally copyrighted Chaplin films, The Gentleman Tramp was protected, with respect to said films, by the Chaplin films copyrights. Yet plaintiffs also alleged and received damages for state law claims, including harm to The Gentleman Tramp, for the very same act of copying these Chaplin films. Plaintiffs' use of state law to exceed federal copyright damage provisions clearly conflicts with the intent and purposes of the federal law.

The philosophy underlying our copyright laws is that through economic incentives, creation and dissemination of intellectual works will flourish:

> The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in "Science and useful Arts."

Mazer v. *Stein,* 347 U.S. 201, 219 (1954). Thus, "Authors and Inventors" are granted the exclusive right to exhibit, perform, copy and generally exploit their works for a limited period of time and to keep the economic advantage therefrom. U.S. Const. art. 1, § 8, cl. 8; *see also* H.R. Rep. No. 2222, 60th Cong. 2d Sess. (1909).

Besides protecting the copyright owner's interest in copyrighted works, the Copyright Act also protects the copyright owner's exclusive right to create derivative works based on the copyrighted works. 17 U.S.C. §§ 1, 7 (1909 Act). 17

U.S.C. §§ 1, 3 (1976 Act). A copyright infringer is liable in damages for adversely affecting the value of a derivative work, even where only the original copyrighted work and not the derivative work is directly copied. *Marvin Worth Productions* v. *Superior Films Corp.*, 319 F.Supp. 1269, 1274-75 (S.D.N.Y. 1970), quoting *Nimmer on Copyright*, § 145, pp. 646-47 (1970); *see also Rohauer* v. *Killiam Shows, Inc.*, 379 F.Supp. 723 (S.D.N.Y. 1974), *rev'd on other grounds*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 949 (1977); *Meeropol* v. *Nizer*, 560 F.2d 1061, 1070 (2d Cir. 1977), *cert. denied*, 434 U.S. 1013 (1978).

The federal copyright scheme clearly allows for adequate compensation from infringing activity to ensure continued incentives for individual creation.[10] Congress has, however, also imposed a limit upon recovery for infringement. Recognized federal policy prohibits assessment of punitive damages against an infringer. The objective of the damage provisions of the Copyright Act is "to provide just compensation for the wrong, not to impose a penalty. . . ." *Sheldon* v. *Metro-Goldwyn Pictures Corp.*, 309 U.S. 390, 399 (1940); *L.A. Westermann Co.* v. *Dispatch Printing Co.*, 249 U.S. 100, 108-09 (1919). As Justice Jackson noted in *F.W. Woolworth Co.* v. *Contemporary Arts, Inc.*,

[10] In the Act of 1790, the owner of a map, chart or book could recover fifty cents for infringement, and the owner of a manuscript could sue for "all damages occasioned by such injury." 1 Stat. 124, 1st Cong., 2d Sess., c. 15. To fully compensate the copyright proprietor, the 1909 Copyright Act provides for actual damages incurred by the copyright proprietor as well as profits made by the infringer. In addition, in lieu of actual damages and profits, the copyright owner can recover such damages within maximum and minimum limitations as the court may deem just. 17 U.S.C. § 101(b). *See also, Thomas Wilson & Co.* v. *Irving J. Dorfman Co.*, 433 F.2d 409, 413 (2d Cir. 1970), *cert. denied*, 401 U.S. 977 (1971). The 1976 Copyright Act contains all but the "in lieu" damage provisions, and substitutes "statutory damages" per infringement.

344 U.S. 228, 233 (1952), these statutory damage provisions are ample "effective sanction for enforcement of copyright policy" and are adequately designed "to discourage wrongful conduct". *See* H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. (1976); *Davis* v. *E.I. DuPont de Nemours & Co.*, 249 F. Supp. 329, 341 (S.DN.Y. 1966); 3 *Nimmer on Copyright* § 14.02.

In this action plaintiffs fully exploited the federal statutory remedies available under the Copyright Act. Their claims included infringement of and harm to the copyrighted Chaplin films as well as claims of harm to the marketability of The Gentleman Tramp, their federally protected derivative work. The jury was instructed to assess damages to both the Chaplin films and The Gentleman Tramp as part of the damages awarded under the Copyright Act.[11]

In allowing plaintiffs to assert common law unfair competition the error of the courts below was twofold: *first*, the copying complained of is redressable under the Copyright Act. In this case one act of copying gave rise to both federal and state claims and resulted in federal and state damage awards. This fact was recognized from the District Court level on through the Court of Appeals. At trial, Judge Ward referred to "the claim for unfair competition [as one] based on the use of [federally] protected clips by CBS. . . ." *Second*, plaintiffs were permitted to circumvent the federal policy against a punitive award in a statutory copyright action by their state claim of unfair competition.

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[11] "The plaintiffs' principal request for damages in this case stems from the asserted injury they allege was sustained to the marketability of "The Gentleman Tramp." They seek redress for this damage under their claims of statutory copyright infringement, common law copyright infringement, and unfair competition, primarily the latter two."

On CBS' motion for judgment notwithstanding the verdict, Judge Lasker[12] acknowledged both problems. First he allowed that the copying complained of was redressable under the Copyright Act:

> By allowing compensatory and punitive damages for harm to a derivative work, the law of unfair competition as applied in this case did not provide protection for works which failed to meet the federal standards for copyright protection; to the contrary . . . *[T]he harm to plaintiffs' derivative work [The Gentleman Tramp] was cognizable under the statutory copyright claim.*

503 F. Supp. at 1151 (App. B-47-48) (emphasis added). The District Court then admitted that the unfair competition provision for punitive damages *exceeded* the protection provided by federal law:

> [T]here would be a serious question whether the award of punitive damages, available under the unfair competition claim but not under the statutory copyright claim, provided *greater* protection to copyrighted works than permitted by "the careful balance which Congress [has] drawn" with respect to federally protected works. *Goldstein, supra,* 412 U.S. at 570.

The court nevertheless concluded that the additional state damages—punitive and compensatory—were not preempted because the state claim was "dissimilar" to the federal claim inasmuch as it required proof not only that CBS copied, but that it did so in bad faith. 503 F. Supp. at 1152 (App. B-48-49) (emphasis added).

The notion that a state claim survives because it is *broader* than an *underlying* federal claim is totally incorrect. The

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[12] Judge Ward recused himself from consideration of CBS' post-trial motion, and Judge Lasker decided the motion.

activity sued upon—copying—is one of the exclusive federal rights granted to the copyright owner. The Copyright Act offers full redress to compensate for the infringement. *See, e.g., Orth-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979); H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 131 (1976);[13] 1 *Nimmer on Copyright* § 1.01[B]. The manner in which the infringement occurred or how the films were acquired, whether in good faith or in bad faith, does not save a state claim based upon copying from federal preemption. *Harper & Row, Publishers, Inc.* v. *Nation Enterprises*, 501 F. Supp. 848, 853 (S.D.N.Y. 1980); *Synercom Technology, Inc.* v. *University Computing Co.*, 474 F. Supp. 37 (N.D.Tex. 1979); *Time Incorporated* v. *Bernard Geis Associates*, 293 F. Supp. 130, 143 (S.D.N.Y. 1968).

Nor does the "bad faith" taking of the derivative Compilation or "commercial immorality" cited by the district court distinguish the unfair competition claim from a federal copyright infringement claim. Access to a copyrighted work, whether by means bad or good, is inherent in proof of copyright infringement. 3 *Nimmer on Copyright* § 13.01[B]. The manner in which copyrighted material is acquired does not define a "distinct offense," as the Court of Appeals ruled, but is in fact subsumed in a copyright infringement action.[14]

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[13] The House Report accompanying the Copyright Act of 1976, which codified the *Sears, Compco* and *Goldstein* line of preemption cases, stated: "The preemption of rights under State law is complete . . . even though the scope of exclusive rights given the work under the [Copyright Act] is narrower than the scope of common-law rights in the work might have been."

[14] Section 504(c)(2) of the Copyright Act of 1976 specifically grants discretion to the district court to increase the statutory damage award upon a finding of wilful infringement. (App. D-69).

Moreover, a key defense to a claim of copyright infringement, the defense of "fair use," can be defeated by findings that defendant's use *harmed the market* for plaintiffs' work or derivative work or that *defendant's conduct in acquiring and copying the copyrighted work was in bad faith. See, e.g., Iowa State University Research Foundation* v. *American Broadcasting Companies, Inc.*, 463 F. Supp. 902 (S.D.N.Y. 1978), *later op.*, 475 F. Supp. 78 (S.D.N.Y. 1979), *aff'd*, 621 F.2d 57 (2d Cir. 1980). Plaintiffs in this case claim that the existence of the above factors supports a separate cause of action for unfair competition. Yet the jury was charged to consider these very same factors under the federal copyright count in its determination of whether CBS' use of the Chaplin clips was a fair use or whether CBS infringed plaintiffs' copyrights.

> In determining whether the defendant made fair use of the copyrighted Chaplin films you should also consider the effect of the use upon the value of any of the plaintiffs' rights in the copyrighted work, including the value of the derivative work, "The Gentleman Tramp," plaintiffs' film biography of Chaplin which made authorized use of clips from the copyrighted Chaplin films. Whether the defendant's television program, the tribute to Chaplin, broadcast the day after his death lessened the value of the Chaplin films and of "The Gentleman Tramp" is something you should consider in making your determination of fair use.
>
> Of course, ladies and gentlemen, fair use presupposes good faith and fair dealing.

In its decision, the Court of Appeals also recognized that the state claim was based upon CBS' copying, an infringing act redressable under federal law:

> It is true that part of the reason CBS' 1977 retrospective was alleged to have undermined the mar-

> ketability of 'The Gentleman Tramp' was that the retrospective invaded the plaintiffs' legal monopoly in the copyrighted Chaplin films, a monopoly they relied upon to distinguish their biography from any competitor's.

Yet the Appellate Court was apparently seduced by the manner in which CBS gained access to the Chaplin films, opining that "the act of taking the Compilation, as an entity apart from the films, defines a distinct offense. . . ." (App. A-21). As the Compilation was protected [in part] by state common law copyright, the Court ruled that "the unfair competition is sufficiently based on the misappropriation of the Compilation, as distinct from the copyrighted films," and held, "the claim is not vulnerable to a [federal] preemption defense." [15] (App. A-22).

The Court of Appeals' ruling brushes under the table the fact that the Compilation was a collection of federally copyrighted films protected by federal law. In fact, the district court's instructions make clear that the jury's finding of unfair competition was based on CBS' use of the federally protected Chaplin films, not upon the Compilation's arrangement of those films. The district court instructed:

> The plaintiffs' third claim is that the defendant is liable to it, that is, to the plaintiffs for unfair competition. The plaintiffs argue that CBS unfairly com-

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[15] Since the Compilation was composed entirely of federally copyrighted films, this conclusion is also in question. At trial, the district judge did not adequately distinguish for the jury the difference between plaintiffs' federal protection in the Chaplin films in the Compilation and state protection in the arrangement of those films. The jury was instructed that if it found that CBS had misappropriated plaintiffs' "independent judgment or creativity" in arranging the films in the Compilation, this was a factor weighing in favor of a finding of *federal* copyright infringement, and against CBS' defense of fair use.

> peted with their film "The Gentlemen Tramp" by producing and broadcasting a program about Charlie Chaplin using their copyrighted film clips which are featured in "The Gentleman Tramp" knowing that the plaintiffs had refused permission because they viewed their own film biography as a competing television program.

Of equal importance is that the harm which plaintiffs sought to redress was to the marketability of a federally protected derivative work—The Gentleman Tramp—and as the Court of Appeals admitted, this interest was fully compensable under the federal statutory scheme.

The Court of Appeals' decision completely failed to take into account the purposes of the Copyright Act and that the way in which the unfair competition claim was used here conflicted with those purposes. The Copyright Act defines exclusive rights in copyright, and principal among these is the right to exhibit for profit in any medium and in any form the work in which copyright is held. Thus, in the case of *Orth-O-Vision* v. *Home Box Office, supra,* the District Court found that a state unfair competition claim was preempted because it was premised upon federal copyright interests, *i.e.*, the lost right to exhibit for a profit. It is exactly this right upon which plaintiffs base both their federal claim for harm to The Gentleman Tramp as a federally protected derivative work *and* their state law claim for harm to The Gentleman Tramp. *See also Harper & Row, Publishers* v. *Nation Enterprises, supra,* 501 F. Supp. at 852.

The rulings of the courts below allowed plaintiffs to sue under several separate theories and to seek several cumulative forms of damages. Not only does the Copyright Act define what exclusive protection authors of copyrighted works may obtain; it also defines the limits of the federal

law. Not only were plaintiffs permitted to recover under the guise of state law for an act regulated by and compensable under a federal statutory scheme, they were permitted an impermissible punitive award. This clearly "clashes with the objectives of the federal [copyright] laws", *Sears, Roebuck & Co.* v. *Stiffel Co., supra,* 376 U.S. at 231.

> [W]hen state law touches upon the area of federal statutes enacted pursuant to constitutional authority, it is "familiar doctrine" that the federal policy "may not be set at naught or its benefits denied" by the state law.

Kewanee Oil Co. v. *Bicron Corp.*, 416 U.S. 470, 479-80 (1974).

II.

Only this Court can resolve the controversy as to whether certain forms of state unfair competition/misappropriation law survive preemption in light of this Court's decisions in *Sears, Compco* and *Goldstein* as they have been codified in the 1976 Copyright Act.

Plaintiffs allege that by "misappropriating" the Chaplin films contained in the Compilation, CBS unfairly competed with The Gentleman Tramp. In the almost twenty years since the *Sears* and *Compco* decisions, lower federal courts, commentators and Congress have debated whether certain forms of state misappropriation law conflict with the federal copyright laws and whether certain forms survive preemption. In its decisions in *Sears* and *Compco,* this Court foreshadowed a distinction between those state unfair competition claims which survive preemption and those which do not. Justice Black noted:

> Doubtless a State may, in appropriate circumstances, require that goods . . . be labeled or that other

> precautionary steps be taken to prevent customers from being misled as to the source, just as it may protect businesses in the use of their trademarks, labels or distinctive dress in the packaging of goods so as to prevent others, by imitating such markings from misleading purchasers as to the source of the goods. 376 U.S. at 232.
>
> [The] state of course has power to impose liability upon those who . . . deceive the public by palming off their copies as the original. 376 U.S. at 238.

Thus the Court acknowledged that where federal protection is wanting in a unique area, the state may step in to protect those unique interests. The statements of Justice Black, and Justice Harlan, concurring, 376 U.S. at 239, have been interpreted by the lower courts to mandate preemption of misappropriation claims, since these claims are in fact based on copying activity redressable under the Copyright Act, unless the claim protects the unique interest against "palming off" or false designation of origin.[16]

The misappropriation doctrine originated with this Court's decision in *International News Service* v. *Associated Press*, 248 U.S. 215 (1918). The Court affirmed an order which barred INS from circulating news releases taken from AP's bulletin boards and early editions of AP member newspapers, but rejected AP's claim of copyright infringement: the news as such is not copyrightable and AP's copyrights in its publications did not protect the information contained therein. The Court therefore turned to the theory

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[16] Those misappropriation claims which survive preemption involve copying of subject matters not protected by federal copyright law. *See, e.g., Stigwood Group, Ltd.* v. *Sperber*, 457 F.2d 50, 56 (2d Cir. 1972); *F.E.L. Publications, Ltd.* v. *National Conference of Catholic Bishops*, 466 F. Supp. 1034 (E.D. Ill. 1978).

of misappropriation to find relief for AP.[17] Misappropriation was created to fill in the gap left when this uncopyrightable property (news) had been misappropriated and passed off as a competitor's product.

The Court of Appeals decision in this case, however, perverts the INS rationale by allowing a state misappropriation claim to be applied to a work—The Gentleman Tramp —which not only is federally copyrighted, but which is also protected by the copyright laws as a derivative work containing the federally copyrighted Chaplin films.

Although the Court of Appeals failed to hold preempted plaintiffs' claim for unfair competition/misappropriation, on facts similar to these, all other courts have found preemption. These courts have followed the guidelines of Justices Black and Harlan in *Sears-Compco*, 376 U.S. at 232, 238, 239, and found preempted any state unfair competition claim based upon copying which does not contain an allegation of palming off or false designation of origin. The Court of Appeals' decision in this case conflicts not only with a decision by the Ninth Circuit, *Cable Vision, Inc.* v. *KUTV, Inc.*, 335 F.2d 348, 351 (9th Cir. 1964), *cert. denied*, 379 U.S. 989 (1965) (State claim for cable television station's unauthorized use of television signal preempted under *Sears-Compco*), but it even conflicts with

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[17] A number of law review commentators have criticized the Court for not yet repudiating the INS misappropriation doctrine, and at least one lower court considered INS to have been overruled by implication in *Sears* and *Compco*. *See, e.g., Columbia Broadcasting System, Inc.* v. *DeCosta*, 377 F.2d 315 (1st Cir.), *cert. denied*, 389 U.S. 1007 (1967); Fetter, "Copyright Revision and the Preemption of State 'Misappropriation Law' ", 25 *Bull. Copr. Soc.* 367 (1978); Goldstein, "Federal System Ordering of the Copyright Interest," 69 Colum. L. Rev. 49, 64 (1969). One commentator suggests that the INS misappropriation doctrine survives preemption only if limited to its facts—protection of noncopyrightable works, such as the news. 1 *Nimmer on Copyright* § 1.01[B] n. 102.

the other pronouncements of the Second Circuit on the same subject. *See Riback Enterprises, Inc.* v. *Denham*, 452 F.2d 845, 848-49 (2d Cir. 1971); *Puddu* v. *Buonamici Statuary, Inc.*, 450 F.2d 401, 402 n.1 (2d Cir. 1971) ("[T]he unfair competition claims must fail under *Sears* and *Compco* since the plaintiffs did not press a claim based on confusing labelling but only one based on copying."); *Durham Industries, Inc.* v. *Tomy Corp.*, 630 F.2d 905, 918-19 (2d Cir. 1980).

Furthermore, every federal district court which has considered the issue has barred state claims arising from activity redressable under the federal copyright laws which lacked elements of palming off or false designation of origin. *See, e.g., Mitchell* v. *Penton/Industrial Publishing Co.*, 486 F.Supp. 22 (N.D. Ohio 1979); *Synercom Technology, Inc.* v. *University Computing Co.*, 474 F.Supp. 37 (N.D. Tex. 1979); *Ortho-O-Vision, Inc.* v. *Home Box Office*, 474 F. Supp. 672 (S.D.N.Y. 1979); *Suid* v. *Newsweek Magazine*, 503 F. Supp. 146 (D.D.C. 1980); *Triangle Publications, Inc.* v. *Sports Eye, Inc.*, 415 F.Supp. 682 (E.D. Pa. 1976).

The significance of CBS' claims goes far beyond the limited future of the 1909 Copyright Act. Misappropriation of copyrighted works will be alleged repeatedly in the lower courts under the 1976 Copyright Act if the Supreme Court does not take this opportunity to review the issue.

Section 301 of the 1976 Copyright Act states that "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright" are preempted. The legislative history of this section is worthy of brief review. A committee report accompanying a draft of the Act stated that "where the cause of action involves the form of 'unfair competition' commonly referred to as *misappropriation, which is nothing more than copyright pro-*

tection under another name, section 301 is intended to have preemptive effect". S. Rep. No. 93-983, 93rd Cong., 2d Sess. 167 (1974) (emphasis added). Congress later considered specifically preserving certain forms of misappropriation from preemption by the Copyright Act, such as "palming off" another's goods as one's own and false designation of origin.[18] S. Rep. No. 94-473, 94th Cong., 1st Sess. 166 (1975). A letter from the Justice Department critical of this Court's decision in *International News Service* v. *Associated Press,* 248 U.S. 215 (1918), however, convinced Congress to delete from the Act specific references to misappropriation and thus the Act's preemption section was passed in the broad form quoted above.

Although the 1976 Act did not become effective until a few days after CBS' broadcast of the Chaplin obituary, Congress' purpose in enacting Section 301 was to codify the federal principles expressed by this Court in the *Sears, Compco* and *Goldstein* cases. H.R. Rep. No. 94-1476, 94th Cong., 2d Sess. 130-33 (1976); 1 *Nimmer on Copyright* § 1.01[B] n.22. Several district courts have already determined that state claims for unfair competition arising from the broadcast of copyrighted works are preempted under the terms of Section 301 as they continue the *Sears-Compco* doctrine. In *Ortho-O-Vision, Inc.* v. *Home Box Office, supra,* 474 F.Supp. at 684, the District Court determined that misappropriation of a television signal was an act equivalent to infringement of copyright, noting the clear

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[18] Testifying before a House Subcommittee, a representative from the Department of Commerce referred to a clear case of preemption, as shown in the instant case: "Obviously, the 'misappropriation' of all the words of a literary work would be in the nature of copyright, and State laws in this area would be preempted." *Copyright Law Revision: Hearings on H.R. 2223 Before the Subcommittee on Courts of the House Committee on the Judiciary,* 1st Sess. 169 (statement of Rene D. Tegtmeyer).

conflict in allowing assertion of duplicative causes of action under both federal and state schemes. "The misappropriation of which HBO complains is the lost right to exhibit for a profit the audiovisual works that comprise its programming. . . . In the context of this case 'misappropriation' consists simply of acts of public performance." [19]

In reviewing this case, this Court can answer the recurring question of which rights of state unfair competition/misappropriation law survive the preemptive force of *Sears-Compco-Goldstein* and Section 301 of the new Copyright Act. The state law doctrine of misappropriation has been "beclouded" by this Court's decisions in *Sears-Compco, see, e.g., Latman, The Law of Copyright* at 68, and the issue will continue to be raised in the lower courts, especially with the added resulting confusion from the Court of Appeals' maverick opinion in the instant case.

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[19] Although *Orth-O-Vision* applied Section 301 of the Copyright Act of 1976, the court's analysis contains a comprehensive statement of the law of preemption under *Sears-Compco,* as it is carried into the 1976 Act. 474 F. Supp. at 683-84, nn.11, 12.

Conclusion

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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